

# Q2 2017



## City of Brawley Sales Tax *Update*

*Third Quarter Receipts for Second Quarter Sales (April - June 2017)*

### Brawley In Brief

Brawley's receipts from April through June were 6.2% below the second sales period in 2016. Excluding reporting aberrations, actual sales were down 8.1%.

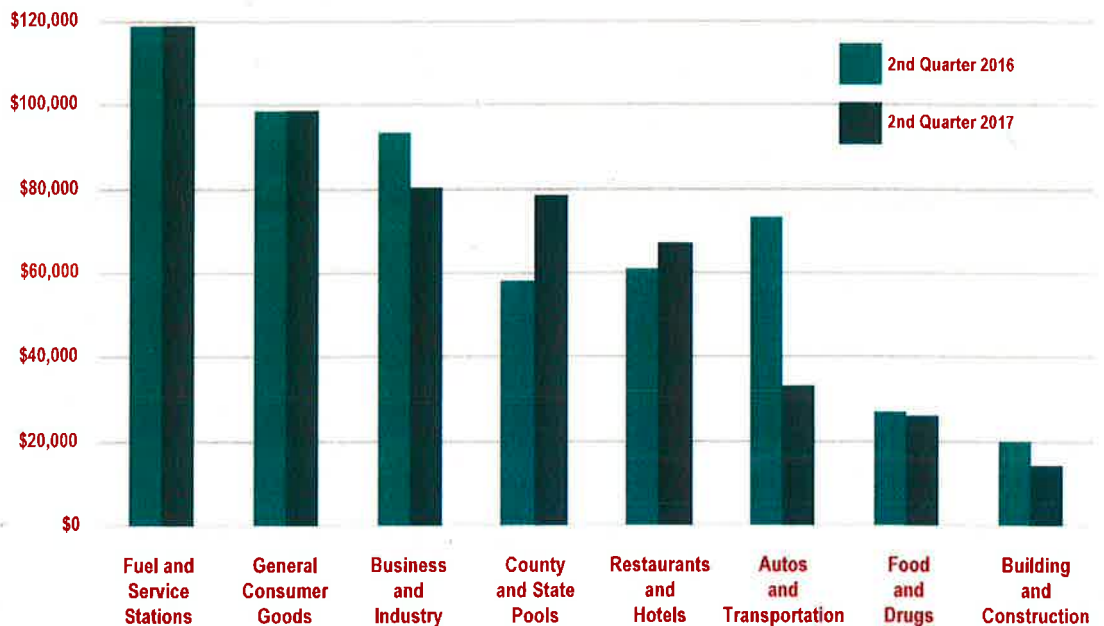
The double-digit spike in the City's share of the countywide use tax allocation pool was the result of a onetime deduction last year. Once removed, the actual gain was 3.5%.

Year-ago temporary auto sales dragged down results in the autos and transportation group. Lower sales in the warehouse/farm equipment category was the major contributor to the loss in business to business performance.

Conversely, the rise in quick-service restaurants outpaced regional trends while general retail was on par with the comparison quarter.

Net of aberrations, taxable sales for all of Imperial County grew 2.3% over the comparable time period; the Southern California region was up 3.4%.

### SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	McNeece Bros Oil
Arco AM PM	Norhnd Auto Parts
AutoZone	OK Tire
Brawley Tractor Parts	Prime Fuel & Mini Mart
Circle K 76	RDO Water
Daniels Tire Service	Rite Aid
Filco	Shell Station Market
Imperial Hardware	USA Gas
Jack in the Box	Vons
Johnnys Burritos	Walmart Online
Jordan Implement	Walmart Supercenter
Lidco Imperial Valley	Weatherford Tubular Services
McDonalds	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$492,708	\$437,955
County Pool	57,753	78,769
State Pool	168	(238)
Gross Receipts	\$550,628	\$516,487
Less Triple Flip*	\$0	\$0

\*Reimbursed from county compensation fund

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**California Overall**

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

**Where does the Money Go?**

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

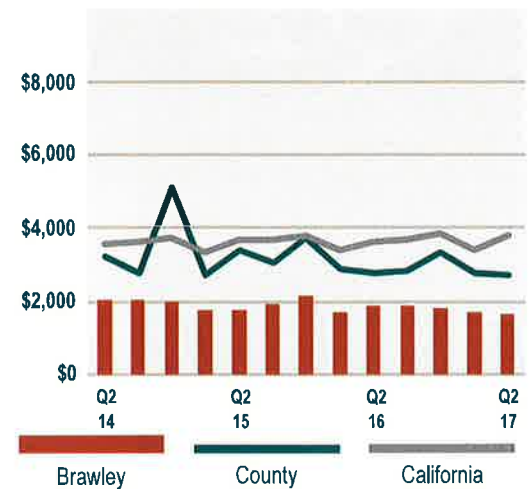
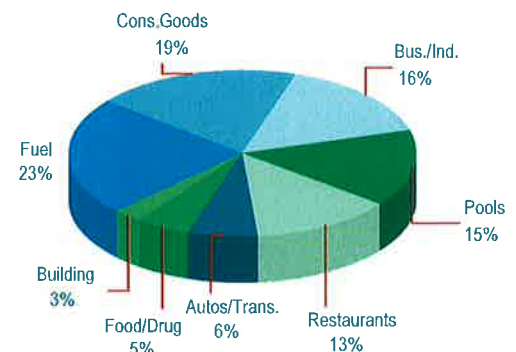
- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

**SALES PER CAPITA****REVENUE BY BUSINESS GROUP**  
Brawley This Quarter**BRAWLEY TOP 15 BUSINESS TYPES**

Business Type	Brawley		County	HdL State
	Q2 '17	Change	Change	Change
Auto Repair Shops	6,652	0.0%	16.9%	9.2%
Automotive Supply Stores	23,144	16.2%	3.3%	2.8%
Building Materials	— CONFIDENTIAL —		5.2%	6.1%
Casual Dining	14,583	8.7%	3.5%	2.2%
Convenience Stores/Liquor	6,637	6.8%	-24.8%	5.2%
Discount Dept Stores	— CONFIDENTIAL —		-0.3%	3.2%
Fulfillment Centers	— CONFIDENTIAL —		-17.3%	55.0%
Grocery Stores	11,460	-5.8%	-4.3%	2.1%
Petroleum Prod/Equipment	— CONFIDENTIAL —		69.0%	23.6%
Plumbing/Electrical Supplies	4,711	-55.8%	-10.7%	3.7%
Quick-Service Restaurants	51,897	8.8%	3.8%	5.8%
Repair Shop/Equip. Rentals	6,647	34.7%	-36.1%	3.5%
Service Stations	66,513	-13.7%	6.1%	8.6%
Variety Stores	— CONFIDENTIAL —		7.8%	8.3%
Warehse/Farm/Const. Equip.	51,464	-18.2%	6.2%	7.6%
<b>Total All Accounts</b>	<b>437,955</b>	<b>-11.1%</b>	<b>-1.6%</b>	<b>6.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>78,532</b>	<b>35.6%</b>	<b>50.1%</b>	<b>-9.9%</b>
<b>Gross Receipts</b>	<b>516,487</b>	<b>-6.2%</b>	<b>3.8%</b>	<b>4.1%</b>